



# Equity for social innovation

**João Santos**, Investment Principal, MAZE, Portugal



 #ficompass





# MAZE

## What, who and why

September 2019

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maze



Decoding  
Impact



FUNDAÇÃO  
CALOUSTE  
GULBENKIAN



This document provides an introduction to MAZE's work and is intended to provide an overview of the Portuguese social investment ecosystem.



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Intro



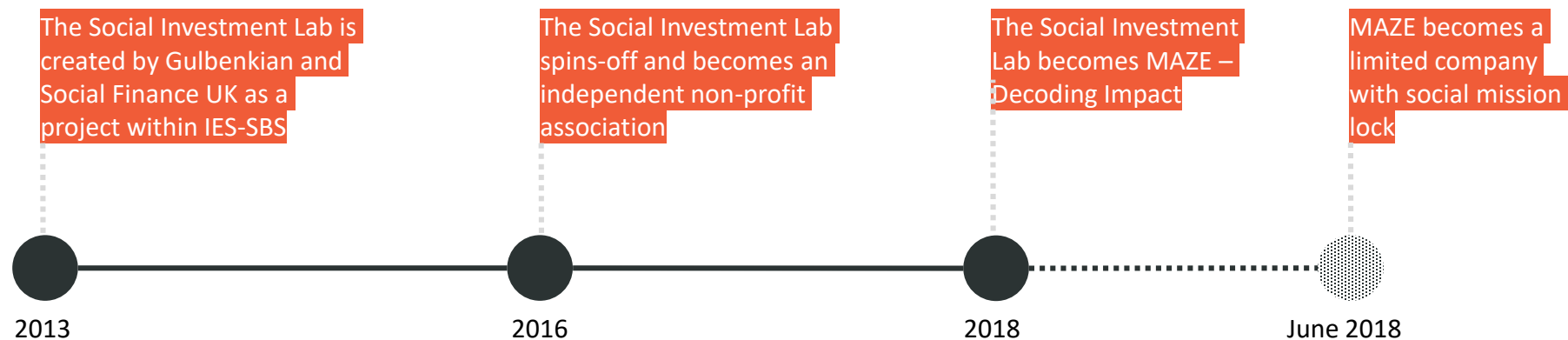
## HOW WE WERE BORN

**MAZE – decoding impact**, then called the Social Investment Lab, was born in 2013 with the guidance and financial support of the Calouste Gulbenkian Foundation in close partnership with Social Finance UK, the thought global leader in the social investment market. **MAZE** was created to promote the vision that impact-driven organisations that have access to adequate skills, capital and intelligence deliver more predictable and better outcomes.

In 2016, the Social Investment Lab spun-off from IES-SBS, the organization where it was hosted, and was constituted as a separate legal entity: a non-profit association (Associação Laboratório de Investimento Social). In early 2018, after a rebranding effort, the Social Investment Lab was reborn to become **MAZE – decoding impact**.

Nowadays, **MAZE** is a public limited company (SA) with a social mission lock, ensured by Calouste Gulbenkian Foundation.

Throughout the logical and sequential evolution of our organization, the core principles that guide our work have remained the same. Since day one, we were inspired and guided by our close partners infinite belief in human potential as a driver for positive social change.





## DIFFERENT TOOLS FOR DIFFERENT NEEDS

50+

Impact ventures graduated from our acceleration programmes

EUR +30M

Raised in private investment for impact ventures

5

Social Impact Bonds launched in: (1) education, (2) children at risk, (3) employability, (4) youth unemployment, (5) caregivers



# WHAT WE DO: SOCIAL CHANGE DEMANDS MORE THAN FINANCE ONLY

MAZE works alongside ventures, investors and public sector officials to scale effective solutions for social and environmental challenges. [\[watch video\]](#) We are a group of millennials focused on finding purpose in our lives. We find inspiration in hard-working practitioners that aim for ambitious outcomes. Inside the MAZE, we keep our feet firmly on the ground, decode better solutions for society's pressing problems and make social change happen.



## MARKET INTELLIGENCE

This is for public sector leaders. Those inspiring forces that work tirelessly towards addressing the issues faced by the populations that they serve.

Our team at MAZE works closely with the leadership teams in developing user-centered and data-driven public services that deliver better outcomes for service users.



## STRENGTHEN VENTURES

This is for entrepreneurs. Those with a clear intention to create impact through business models. Just like us at MAZE, these entrepreneurs believe that impact and profit are mutually reinforcing and that impact-driven businesses create more value.

Through our acceleration programmes, impact ventures become ready to raise capital, connect to new commercial networks and deliver consistent impact.



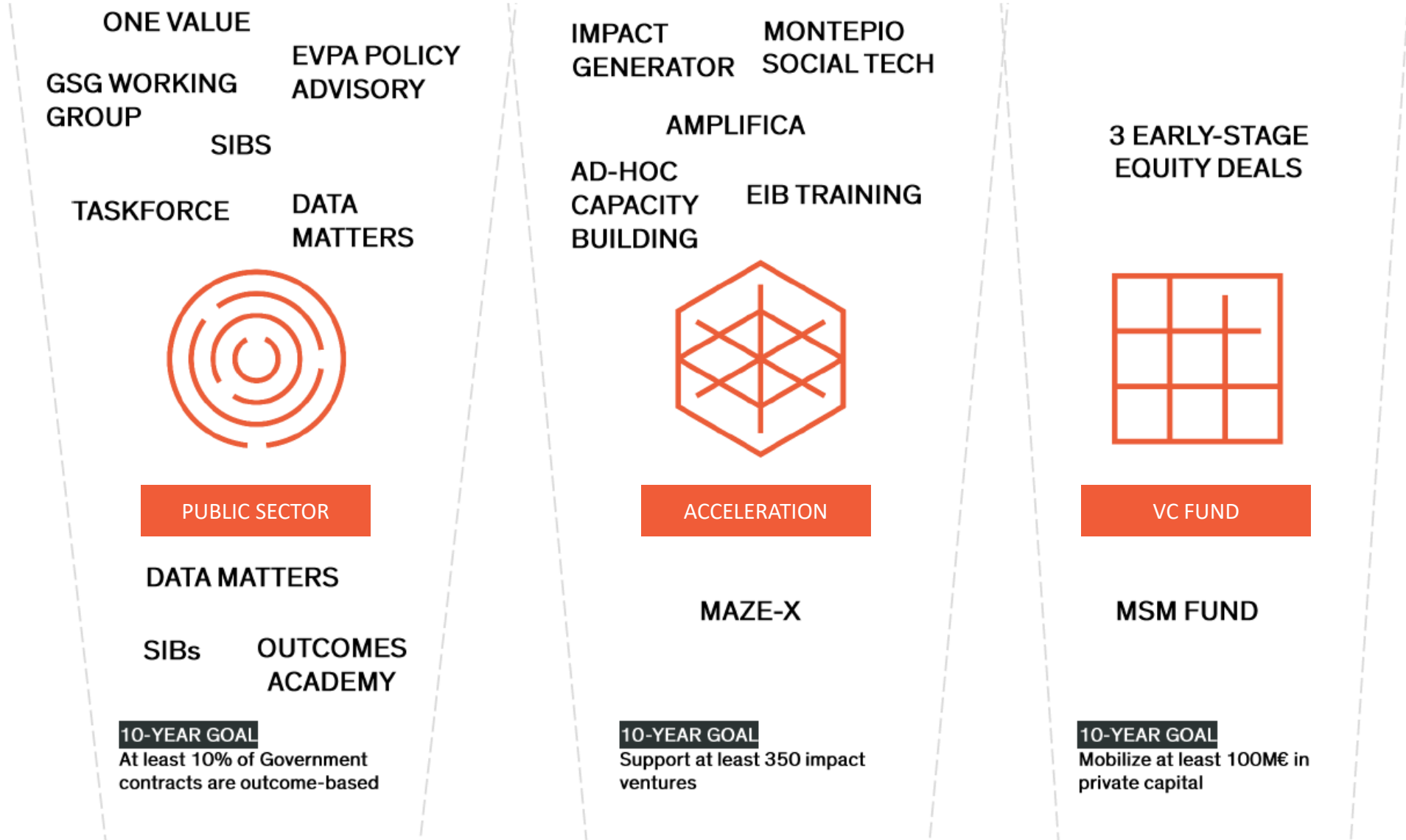
## CAPITAL ADVISORY

This is for forward-looking investors. Those that recognize the economic opportunity and imperative of allocating their capital aligned with their values.

At MAZE, we help visionary investors finding high-growth impact ventures, top notch teams and virtuous business models that deliver financial returns alongside superior social and environmental outcomes.



# WHAT WE DO: CONVERGING TOWARDS FLAGSHIP PROJECTS







# 002

## The Team



# OUR CURRENT TEAM



## PUBLIC SECTOR ADVISORY



Margarida Anselmo  
Head of Public Sector



Inês Charro  
Public Sector Analyst



## ACCELERATION



Rita Casimiro  
Head of acceleration



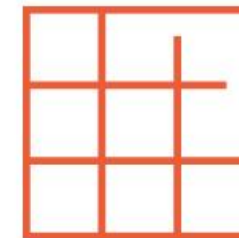
Ângela Silva  
Corporate Associate



Afonso Fontoura  
Acceleration Associate



Ângela Silva  
Acceleration Intern



## IMPACT FUND



João Santos  
Senior Principal



Hiring two  
analysts



António Miguel  
Managing Partner



Luis Fonseca  
Partner

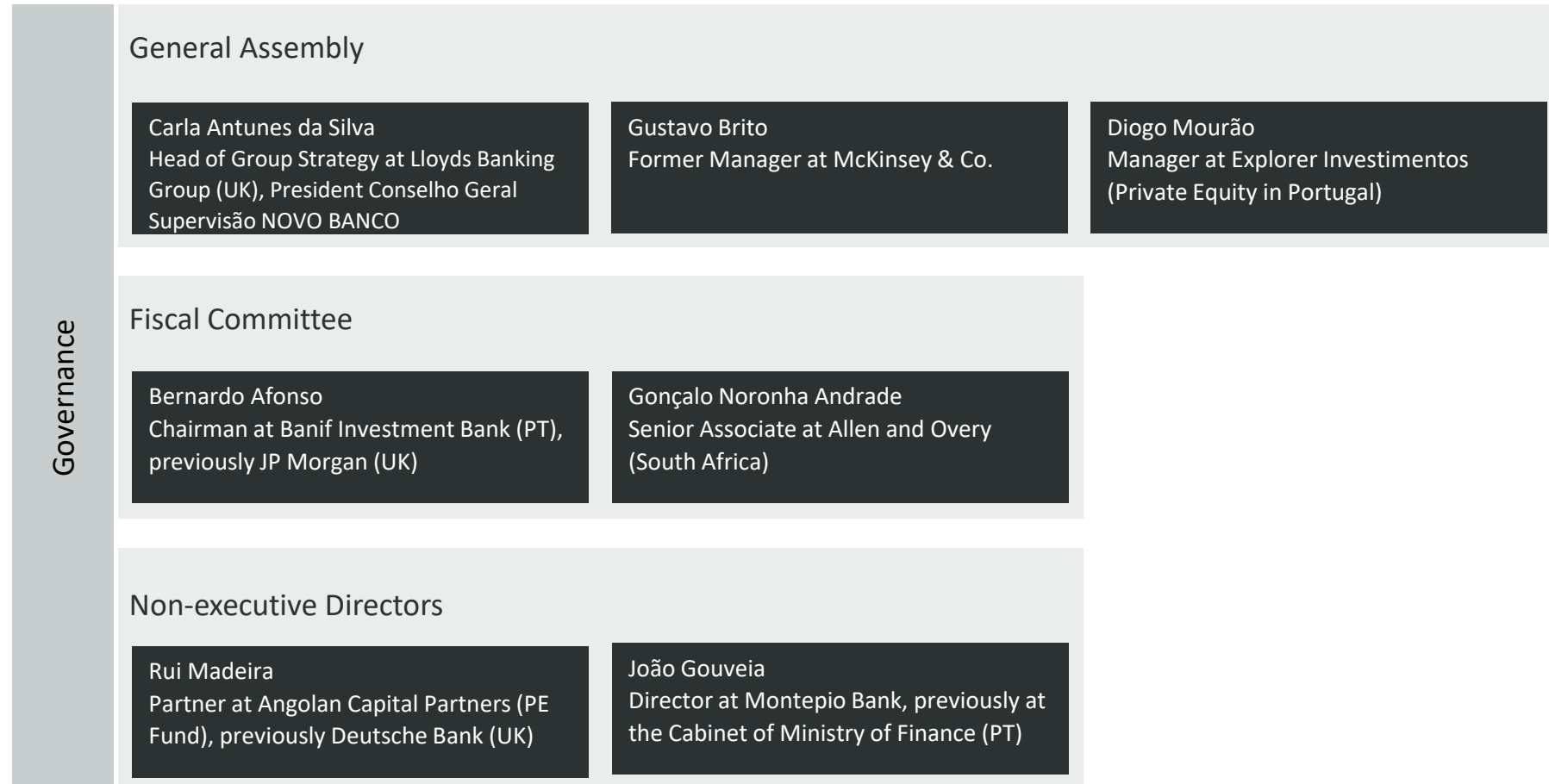


Cristina Almeida  
Head of Communications



## MAZE GOVERNING STRUCTURE


General Assembly, Fiscal Committee and Board of Directors' members go beyond their governance responsibilities by acting as critical friends and sharing their personal and professional networks with MAZE.





## MAZE ADVISORY BOARD

MAZE counts with the ongoing support of its Advisory Board. Advisory Board Meetings are held annually but the interactions between MAZE and its members take place on a regular basis.

Ongoing Support	<p>Advisory Board</p> <ul style="list-style-type: none"><li>Jane Newman, Social Finance UK</li><li>Adam Jagelewski, MaRS Centre for Impact Investing</li><li>Henry Wigan, Mustard Seed</li><li>Davide Invernizzi, Fondazione Cariplo</li></ul>	<ul style="list-style-type: none"><li>&gt; Strategic Guidance</li><li>&gt; Ad-hoc and individualized support</li><li>&gt; Exposure to international networks and trends</li></ul>
		<ul style="list-style-type: none"><li>&gt; Non-Financial Support: Strategic Guidance, access to networks, critical friend, office space, credibility.</li><li>&gt; Financial Support</li></ul>



# 003

## Key Projects



## PORTUGUESE SOCIAL INVESTMENT TASKFORCE

The Portuguese Taskforce is a civil society movement, created with the following goals: (1) mobilise key decision makers in the public, private and social sectors towards social investment, (2) create social investment ambassadors within key Portuguese institutions, (3) create a roadmap and national strategy for social investment through 5 recommendations and respective action plan, (4) serve as a national platform for the sector and interaction with international partners.

The Taskforce produced a final report with recommendations to grow the social investment market in Portugal.

The Taskforce joined the Global Social Impact Investment Steering Group in 2015.

This project was financed by the European Commission.

### Taskforce recommendations for the growth of a social investment market in Portugal:

- 1) Demand: Strengthen social organisations through capacity building programmes.
- 2) Supply: Introduce financial instruments suited to social organisations and social innovation.
- 3) Public Sector: Promote an outcomes-based culture in public services.
- 4) Market Intelligence: Set up a knowledge and resource centre.
- 5) Promote specialist intermediaries to facilitate access to capital.



In a time of increasing social challenges, the Portuguese social sector faces a funding gap that threatens to disrupt progress and prevent social organisations from realising their full potential. As a result, interest in developing a Portuguese social investment market is growing: social organisations are demanding access to adequate financing, investors increasingly have an appetite for investing in social impact and regulators and government are taking steps to promote this new source of funding.

This project has been promoted under a partnership of three organizations: MAZE, Calouste Gulbenkian Foundation and Social Finance UK.



## PORTUGAL INOVACAO SOCIAL (GOVERNMENT MARKET CATALYST)

Portugal Inovação Social was created in December 2014, when €150M of European Structural Funds of the 2014-2020 funding cycle were allocated to the promotion of social innovation. It is the structure created to manage these funds, works through four instruments, that follow the life cycle of social enterprises:

INSTRUMENT	TYPE OF FINANCING	MAXIMUM TICKET	DIMENSION	GOAL
CAPACITY BUILDING FOR SOCIAL INVESTMENT	Non-refundable grants	50,000	EUR 15M	Support social enterprises in: <ul style="list-style-type: none"> <li>Operational efficiency</li> <li>Investment readiness</li> <li>Impact measurement</li> </ul>
PARTNERSHIPS FOR IMPACT	Non-refundable grants co-financing up to 70% of project cost.	EUR 50,000	EUR 15M	Growth capital.
SOCIAL IMPACT BONDS	Social Impact Bond	Variable	EUR 20M	Push government and impact organizations towards outcome payments.
SOCIAL INOVATION FUND	Guarantee instrument + equity co-investments with approved investors	Variable	EUR 55M	<ol style="list-style-type: none"> <li>Attract private capital towards impact ventures</li> <li>De-risk impact debt deals in the banking sector</li> </ol>

Portugal Inovação Social is a pioneer initiative in the EU, as it was the first time that a share of EU structural funds were allocated specifically towards social innovation. A successful experience could lead to the replication of this initiative in other EU countries. The Social Innovation Fund will be the first financial instrument of the European Social Fund.



# ONE.VALUE

What it is? [www.onevalue.gov.pt](http://www.onevalue.gov.pt)

Following the lead of Unit Cost UK, ONE.VALUE is a project led by the Calouste Gulbenkian Foundation and MAZE that aims to centralize, standardize and provide data regarding the cost of Portugal's entrenched social problems. It is intended to:

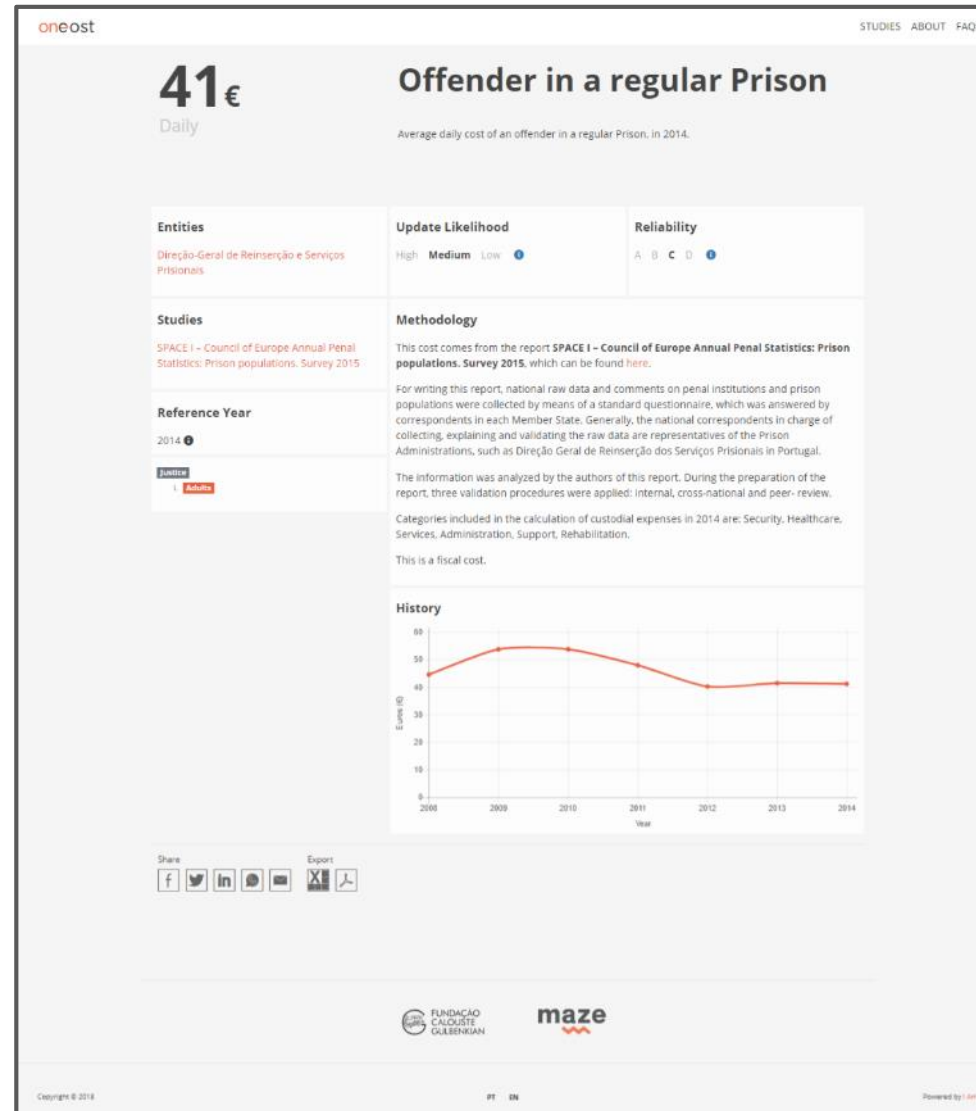
- > Help social organizations develop their value propositions;
- > Inform public service reform and outcome-based commissioning;
- > Support the creation of new social impact bonds and feasibility studies;
- > Improve the investment decision-making processes for social investors.

## Why it Matters?

Data contained in this platform has the potential to improve public service commissioning and public service reform, informing public policy and a more efficient use of public funds.

## How MAZE is involved?

MAZE has developed and populated ONE.VALUE with more than 80 cost indicators. We are now working on handing over this project to the public administration to ensure the platform is updated regularly and easily accessible by the general public.







## 5 SOCIAL IMPACT BONDS



What it is? Currently there are 5 SIBs in Portugal, 4 of which are still ongoing. In addition to these, new SIBs are likely to be launched in the upcoming months, within the SIB instrument of Portugal Inovação Social.

Name of project	Code Academy Jr	Code Academy Bootcamps	Projeto Família	Faz-te Forward	Cuidar de Quem Cuida
Social issue	Educational Outcomes	Youth unemployment	Children in care	Youth unemployment	Support to informal caregivers
Intervention model	Coding classes for children in 3 <sup>rd</sup> and 4 <sup>th</sup> grade. 2 hours per week for 56 weeks.	14-week coding bootcamps for unemployed young adults	6-week intensive support to families followed by 12 month ongoing support	10 month mentoring, coaching and job readiness program	7 month training for multidisciplinary teams to create a specialized response to informal caregivers needs
Outcome metric(s)	Improvement in logical reasoning (10% vs control) Improvement in Maths and PT test scores (10% vs control)	Entry into employment (50% of cohort)	Care placements avoided and confirmed by court order (50% of cohort)	Entry into employment (40%) 6 month job maintenance (20%)	5% improvement in average score of the overall quality of life of the caregivers
Investment size	<b>EUR 150,000</b>	<b>EUR 723,500</b>	<b>EUR 433,276</b>	<b>EUR 387,848</b>	<b>EUR 239,660</b>
Beneficiaries	<b>65 children</b>	<b>180 young adults</b>	<b>216 children at risk</b>	<b>150 young adults</b>	<b>240 caregivers</b>
Location	Lisbon	Fundão (centre of Portugal)	Porto	Porto	Porto
Investors	Fundação Calouste Gulbenkian	Fundação Calouste Gulbenkian + Consortium of businesses in Fundão (e.g. Altran)	Fundação Calouste Gulbenkian + Montepio Bank	Fundação Calouste Gulbenkian + Deloitte	Fundação Calouste Gulbenkian + José de Mello Saúde
Status	Completed. Significant improvement in maths and log reasoning	Ongoing	Ongoing	Ongoing	Ongoing

Why it Matters? The Code Academy Jr SIB was the first of its kind in Portugal, setting the ground for the creation of the SIB instrument within EMPIS. These also represent the Calouste Gulbenkian Foundation's first steps towards investing in better outcomes.



## TAX RELIEF FOR SIBs

### What it is?

The 2018 Approved State Budget regulates a fiscal incentive for Social Impact Bonds. Financial transfers from social investors to impact ventures in the context of social impact bonds will be considered costs/losses for the investors and thus majorated at 130%. This will happen regardless of potential outcome payments in case the contractualized metrics are reached.

### Example:

1. A Social Investor funds a SIB in EUR 100,000. Legally, this is considered a donation.
2. The Social Investor deducts EUR 130,000 from its profits, which means it will pay  $CITRate\ 21\% \times (EUR\ 130,000) \sim EUR\ 27,300$  less in Corporate income taxes. Which means that the EUR 100,000 had a real cost for the investor of EUR 72,700.
3. If, at the end of the project, outcomes are met and the investor is repaid, it will get the EUR 100,000 back (taxable as income).

### Why it Matters?

This incentive reduces the risk of investing in Social Impact Bonds. It also means that social investors can get an indirect return through tax benefits when social impact bonds are successful, even when the SIB was designed to be capped at full repayment (with no additional returns for the investors), as is the case with all SIBs developed in the context of Portugal Inovação Social.

### How MAZE is involved?

MAZE's involvement in this change was done through benchmarking other tax relief systems internationally and via its work advocating for the use of Social Impact Bonds in the appropriate circumstances. Engagement with the Minister for the Presidency and Administrative Modernization (the strong proponent of this measure) was key.



## DATA MATTERS

### What it is\_

Pilot project with the Municipality of Peniche that intends to build capacity and analytical tools that allow the municipality to make informed decisions based on data and evidence. The project is focused on two challenges:

- (1) Improve social housing management (waiting list, housing allocation, rent management, repairs and maintenance)
- (2) Improve data collection and reporting for the social care team

### Why it Matters\_

Public services in Portugal are mostly delivered without any backing in terms of data and evidence. With the increase of outcome-based funding from EU Funds from 2021 onwards, this will be fundamental for municipalities who will be recipients of these funds.

### How MAZE is involved\_

MAZE is implementing this project in partnership with Calouste Gulbenkian Foundation. It is a pilot project that is part of a long-term goal of creating a coalition of municipalities that are data-driven.



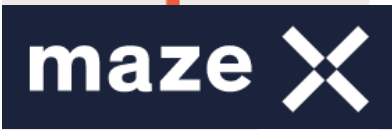
Draft wireframes for social housing app



# MAZE-X EUROPEAN IMPACT ACCELERATOR

**MAZE is leveraging its experience accelerating +50 ventures to launch a programme of European scale**

**European impact acceleration programme**



To be enabled by our network of international partners:



MAZE X – Impact unicorns in the making



Intensive programme to attract Europe's top impact entrepreneurs and future impact unicorns



Positioning of Portugal and Lisbon as an international hub

**Launched in Jan 2019**



# MAZE-X EUROPEAN IMPACT ACCELERATOR

The program will be delivered to a selective group of 10 impact ventures during a total period of 9 months



**10**  
ventures  
per year

### Eligibility criteria

1. Talented teams with solid technical and managerial skills
2. Unique and innovative product
3. Tech-enabled solutions
4. Strong and clear business and impact potential

**5** days  
per week

**3** months  
of acceleration

**6** months  
of follow-up support

**+800** hours  
of support / venture

SUSTAINABILITY  
(GREEN AND BLUE  
ECONOMIES)



ETHICAL  
CONSUMPTION



HEALTH AND  
WELLBEING



FINANCIAL  
SERVICES



SKILLS  
DEVELOPMENT





## MUSTARD SEED MAZE FUND I


Key Terms	Values (EUR / %)
Structure	Impact Venture Capital Fund: “Fundo de Empreendedorismo Social”, approved by the national regulator CMVM
Asset Exposure	Pre-Seed to Series A/B Equity
Fund Size	EUR 40m (first close of EUR 20m – remaining capacity of EUR 4m)
Geographic Exposure	Europe (ex-UK, with first-in-line access to Portuguese dealflow)
Investment Life	10 Years (5 Investment Period / 5 Management Period)
Fees	2% Management Fee <sup>1</sup> 4% Preferred Return <sup>2</sup> 20% Carried Interest <sup>3</sup>
Target Return	20% IRR <sup>4</sup> / 3.0x MOIC
Portfolio Composition	35 Individual Companies with investments ratcheting across: Pre-Seed: 20 (EUR 25-60k) Seed / Pre-Series A: 25 (EUR 50k – EUR 500k) <sup>5</sup> Series A / Series B: 10 (EUR 1.5m – EUR 3m)
Launch Target	All funds committed by 30 <sup>th</sup> June 2019

[www.mustardseedmaze.vc](http://www.mustardseedmaze.vc)



# MUSTARD SEED MAZE FUND I

The Mustard Seed Maze Fund’s (MSMF) investment thesis is rooted in the belief that the great businesses of the future will be those addressing the world’s biggest social and environmental challenges. This is based on the belief that these problems have not yet been solved by the market or the state and therefore must be innovative. ‘Lock-Step’ ventures benefit from 4 ‘key advantages’:

<p><b>#1 Global Problems Equal Global Opportunity</b></p>  <p>The 17 UN SDGs can be estimated to cost the global economy in excess of <b>\$10T</b><sup>1</sup></p>	<p><b>#2 Improved Employee Quality</b></p>  <p>74% of Millennials want a job where they feel their work matters<sup>2</sup></p>	<p><b>#3 Increased Customer Engagement</b></p>  <p>66% of consumers will pay more for products from sustainable brands<sup>3</sup></p>	<p><b>#4 Reduced Cost of Capital</b></p>  <p>Millennials will inherit \$31T by 2020<sup>4</sup> with 84% including ESG factors in investment decisions<sup>5</sup></p>
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MSM targets a broad impact framework aligned with the United Nations Sustainable Development Goals, especially interested in the following Goals:

<p><b>3 GOOD HEALTH AND WELL-BEING</b></p> 	<p><b>4 QUALITY EDUCATION</b></p> 	<p><b>8 DECENT WORK AND ECONOMIC GROWTH</b></p> 	<p><b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b></p> 	<p><b>13 CLIMATE ACTION</b></p> 
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 [www.mustardseedmaze.vc](http://www.mustardseedmaze.vc)

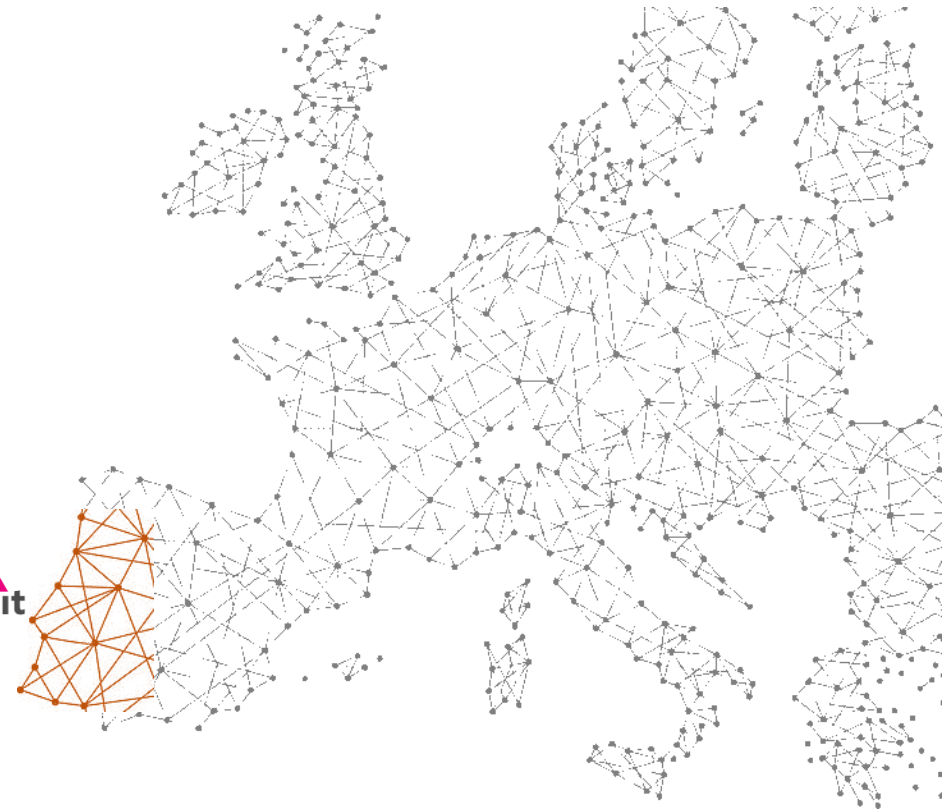
<sup>1</sup>Based on Food Waste alone being worth \$1T alone; <sup>2</sup>Purpose at Work – 2016 Global Report; LinkedIn; <sup>3</sup>The Sustainability Imperative; Nielsen; <sup>4</sup>Millennials – the global guardians of capital; UBS; <sup>5</sup>Sustainable Signals: The Individual Investor Perspective, Morgan Stanley



## MUSTARD SEED MAZE FUND I

Lisbon and Porto are one of the few trending entrepreneurial hubs that are yet to be overcrowded with VC activity for their size, allowing MSM to invest in great businesses all over Europe while benefiting from first-look status in its domestic market.

### Examples of leading Portuguese tech startups



Key market signals such as Web Summit's 10-year residence or Mercedes and Google's expansions are expected to attract additional talent throughout the investment period of the fund.





# MUSTARD SEED MAZE FUND I

MSM founders know that solving the world’s most pressing challenges is one of the largest economy opportunities of the next decade, and they are doing it through business models that lock-in revenue with real-world impact generation.

## **Student Finance** MSM Pipeline – Seed Round

Unlocking access to tech education and the 85.2m unfilled tech jobs by 2030



**Mariano Kostelec**  
Co-Founder & CEO

After building Uniplaces, Mariano is making sure that everyone can afford to learn high-in-demand skills and kickstart a career in the tech sector.

## **Rubies in the Rubble** MSM Pipeline – Series A

Award-winning condiments from unsold gems to reduce the current EUR 1tn in food waste



**Jenny Dawson**  
Co-Founder & CEO

Spending her childhood on a small farm inspired Jenny to drop her hedge fund career in London and turn quality veggies rejected by retailers into premium condiments, tackling food waste head-on.

## **Knok** MSM Pipeline – Series A

Healthcare at the push of a button in a EUR 25bn TAM



**José Bastos**  
Co-Founder & CEO

José struggled to find quick medical advice when his son fell ill, so he built a video-call app to make sure doctors can help us when it really matters.



# MUSTARD SEED MAZE FUND I

The Mustard Seed Maze Fund has secured signed commitments from impact pioneers such as the European Investment Fund (starting at €10M and capped at 50% of the 2<sup>nd</sup> close), the Calouste Gulbenkian Foundation (EUR 3.1bn endowment) and Atlantico Europa (leading digital bank in Portugal), along with a global pool of high net-worth individuals.

## Our Board Members



**McKinsey & Company**

Ian Davis  
Former Global CEO of McKinsey



**Accel**

Kaj Relander  
Founding Partner Accel Europe



**CALOUSTE GULBENKIAN FOUNDATION**

Isabel Mota  
President of the Gulbenkian Foundation



**H&F**

Matt Barger  
Founding Partner Hellman & Friedman



**CDC**  
Investment works

Nick o'Donohoe  
CEO of CDC Investment Group



**SONAE**

Paulo Azevedo  
Former CEO of Sonae Group

## Leading LPs



**EUROPEAN INVESTMENT FUND**

Largest European Venture Capital LP and leading investor committing 50% of the final MSM fund size.


**CALOUSTE GULBENKIAN FOUNDATION**

Among top 10 largest EU foundations (€3.1B) with a seat at the Global Steering Group for Impact Investing.


**ATLANTICO EUROPA**

One of the leading digital banks in Portugal and an impact investing pioneer in the Iberian banking sector.

